

## **2000 COUNTRY COMMERCIAL GUIDE CAMBODIA**

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## **Chapter 1**

### **Executive Summary**

This Country Commercial Guide (CCG) presents a comprehensive look at Cambodia's commercial, economic, and political environment.

Cambodia is a developing country with a market economy. The Constitutional Monarchy was re-established after more than 20 years of civil war and communist rule in 1993. The current coalition government was sworn in on November 30, 1998 with Hun Sen, of the Cambodian People's Party, as Prime Minister. Prince Norodom Ranariddh, leader of the FUNCINPEC party is president of the National Assembly. The government has pledged to devote its full energies to accelerating economic development in Cambodia through the implementation of an ambitious economic and political reform program. Bilateral and multilateral support and closely monitor the government's reform program. The IMF, World Bank and Asian Development Bank are all active in Cambodia.

There are significant gaps in the legal and institutional frameworks, which undermine business confidence in Cambodia, but there are opportunities for U.S. exporters and investors. The Cambodian government offers a generous package of incentives to foreign investors, and imposes few restrictions on imports from abroad. Cambodia enjoys Normal Trade Relations and GSP benefits from the United States, and many other key trading partners. Cambodia is a member of Asean and on track to join the Asean Free Trade Area. Cambodia is also in the process of applying for accession to the WTO.

Persons seeking additional information about opportunities for U.S. businesses in Cambodia should contact the Economic/Commercial Officer, Bruce J. Levine, at the U.S. Embassy in Phnom Penh. Office telephone: (855) 23-216-436 ext. 125; fax: (855) 23-216-811; [e-mail: LevineBJ@state.gov]; U.S. mailing address: AmEmbassy Phnom Penh, Box P, APO, AP 96546; International address: U.S. Embassy, No. 16, Street 228, Phnom Penh, Cambodia.

Country commercial guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-Stat-USA for more information. Country Commercial guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>, <http://www.state.gov/>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the

National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center, by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

## **Chapter 2**

### **Economic Trends and Outlook**

#### **I. Economic Trends**

Cambodia is a developing country with a market economy. GDP in 1999 was 11.96 trillion Cambodian riel (about \$3.1 billion), or \$268 per capita, among the lowest levels in the world. Informal estimates in terms of purchasing power parity put the standard of living in the range of \$1500 per year. Once one of south east Asia's most stable and prosperous countries, Cambodia's social and economic institutions were severely disrupted by the agrarian collectivist policies of the Khmer Rouge regime from 1975-79, and the period of communist central planning that followed under the Vietnamese-backed People's Republic of Kampuchea. The Cambodian government officially adopted market economics in 1989, but it was not until after the 1991 Paris Peace accords, which led to the re-establishment of the constitutional monarchy in 1993, that the economy began to grow.

From 1993 to 1996 Cambodia's GDP grew at an average rate of 7.2% from \$1.9 to \$3.1 billion. However, GDP growth slowed substantially in mid-1997 following the July 5-6 factional fighting in Phnom Penh and the onset of the Asian financial crisis, increasing by just one percent in real terms in 1997 and 1998. The slowdown in economic growth coupled with continued high population growth led to a decline in Cambodia's per capita GDP from \$292 in 1996 to \$252 in 1998. Political stability returned to Cambodia in late 1998 with the establishment of the current coalition government, and economic growth resumed at a rate of 4.3% in 1999, exceeding government expectations. The Ministry of Economy and Finance (MEF) forecasts a higher rate of 5.5% for the year 2000.

Since 1993, the Royal Government of Cambodia has undertaken a serious program of economic reform with assistance from the IMF, World Bank, ADB, UNDP and other bilateral and multilateral donors. Even during the period of political disruption and poor economic performance in 1997-98, the government maintained macroeconomic stability through generally tight monetary and fiscal policies. Although inflation increased from its 1995 low of 3.5 percent, it remained under control at 9 percent in 1997 and 13.5 percent in 1998. MEF reports that there was zero inflation in 1999. Cambodia's currency has been relatively stable since 1993, with the exception of a sharp depreciation in 1997-98. The annual average exchange rate for 1999 was 3,800

riels/US\$1. Maintaining a stable exchange rate is a priority of Cambodia's current IMF program. Cambodia's economy is also heavily dollarized, with the U.S. dollar accounting for an estimated 70 percent of total liquidity in the country.

The Cambodian government's reform program is highly detailed and closely monitored by the donor community. Cambodia made considerable progress in 1999 in improving control of the forestry sector, beginning with a successful crackdown on illegal logging which the government has sustained into 2000. The Cambodian government is now in the process of re-defining its entire forestry management system. Cambodia also made considerable progress toward reducing the size of its military. A pilot demobilisation in May 2000 kicked off a three-year effort to demobilise over 30,000 soldiers, a step which is necessary in order to free up budgetary resources for social sector spending. The government improved its revenue collections through the successful implementation of a value added tax in early 1999, but at about 12% of GDP Cambodian government revenues are low even by developing country standards. This impediment to increased public spending investment means that Cambodia remains heavily reliant on foreign assistance for every aspect of national reconstruction. In October 1999, Cambodia secured the first installment of an \$81.6 million IMF Poverty Reduction and Growth Facility loan, and the World Bank approved a Structural Adjustment Credit worth \$30 million in February 2000.

At a donors' Coordinating Group meeting in May 2000, donors pledged \$548 million in support for the Cambodian government's reform program for the coming year. The subject of "good governance" became a major theme of the reform process in 1999, and the government has produced an action plan to address such issues as civil service reform, judicial and legal reform, improving the quality of public services and attacking corruption. Donors will monitor progress on these issues, as well as the more traditional aspects of economic reform, as conditions for their continued assistance.

Cambodia ran a trade deficit of \$341 million in 1999. With no energy and little domestic industry, Cambodia's major imports include petroleum products, cement and construction materials, vehicles, tobacco and broad range of consumer products. Garments dominate Cambodia's exports, accounting for over \$640 million in 1999, or 89% of total exports. More than three quarters of Cambodian garment exports go to the United States. The garment industry has been Cambodia's greatest success, growing from seven factories exporting \$4 million in 1994 to about 200 factories today, employing roughly 100,000 workers, mostly young women. Other principal Cambodian exports include timber and wood products, latex and rubber, and fishery products.

Cambodia and the U.S. have full and expanding trade relations. The U.S. lifted the embargo on trade with Cambodia on January 2, 1992. After legislative action by Congress in September 1996, Normal Trade Relations (NTR) were established between the U.S. and Cambodia in October 1996 upon the signing of a comprehensive Agreement on Trade Relations and Intellectual Property Rights Protection. President Clinton subsequently designated Cambodia as a Least Developed Beneficiary Developing Country under the U.S. Generalized System of Preferences (GSP) program on May 30,

1997. Cambodia and the U.S. signed a three-year bilateral textile agreement on January 21, 1999 that sets export limitations on 12 categories of textile and apparel products. This textile agreement is likely to slow the growth of Cambodian apparel exports to the United States. U.S. exports to Cambodia are likely to remain modest for the near term. The U.S. exported approximately \$37.5 million worth of goods to Cambodia in 1999, including used vehicles and spare parts, cigarettes, and used clothing.

A key component of the Cambodian government's reform program is to improve Cambodia's attractiveness as a destination for foreign direct investment (FDI) in order to enhance economic growth. Although Cambodia's Law on Investment establishes an open and liberal foreign investment regime, FDI dropped substantially with the political instability of 1997, and has not fully recovered. The Council for the Development of Cambodia, the government's investment agency, reports that new investment commitments dropped significantly to only \$482 million in 1999, compared to over \$800 million per year between 1996 and 1998, and that figures for the first three months of 2000 totaling \$31.6 million, are far below commitments in the same period of 1999. Some analysts attribute at least some of this decline to the CDC's improved screening of investment licenses, but a particularly steep drop in new garment factories is also evident, a result of the U.S. decision to impose quota on Cambodian garment products.

According to the MEF, Cambodia attracted \$160 in FDI flows in 1999, an improvement over 1998, which probably reflects a surge of investment in the tourism industry. U.S. investment in Cambodia to date has been modest, with the largest investors including Caltex for a chain of service stations and a terminal in Sihanoukville, Northbridge Associates for an international school and residential property, and Shelby corporation for a glove manufacturing facility. There are currently over 100 U.S. companies and companies representing U.S. products and services operating in Cambodia.

Cambodia is a member of ASEAN and the Asian Free Trade Area. Cambodia has begun the process of accession to the WTO.

## **II. Principal Growth Sectors**

Agriculture: The agricultural sector, including rice farming, livestock, forestry, and cultivation of other crops, provides direct employment to more than 75 percent of Cambodia's labor force. According to the MEF, agriculture accounted for 37% of GDP in 1999. Excellent rice harvests in 1999 contributed to Cambodia's better-than-expected economic growth. With its large amount of arable land, ample rainfall, and close proximity to the major ASEAN markets of Thailand and Vietnam, Cambodia has strong growth potential in the agriculture sector. A number of plantation agriculture projects are already underway in the areas of palm oil, cashew, coffee, tea, and vegetable production.

The Government has taken note of the growth potential of the sector as well as the important role increased agricultural production can play in reducing rural poverty in Cambodia, and has designated the Ministry of Agriculture, Forestry, and Fisheries as one

of four priority ministries to receive expanded budgets. Factors limiting agricultural production include unclear land ownership, a lack of irrigation infrastructure, inadequate transportation infrastructure, inefficient marketing, poor farming practices and poor public sector support services.

Services: The services sector represented an estimated 43.2 percent of GDP in 1999, and grew by 8.1 percent during the year, and the government forecasts continued strong growth in the services sector for 2000. The Cambodian tourism industry is still relatively undeveloped, but the Ministry of Tourism estimates that tourist arrivals in Cambodia will grow by 20 percent annually from 1999-2000 and 35 percent annually from 2001-2002. Tourist arrivals increased 11% in 1999 over the previous year. Tourism is a preferred sector under Cambodia's foreign investment regulations.

Industry: Industrial growth has been dominated by the expanding garment manufacturing industry. As noted above, growth in the sub-sector is likely to slow in 2000 with the imposition of quota on Cambodian garment imports to the United States in 1999. Construction is also a strong player in the industrial sector, accounting for about a third of all industrial activity. Although construction only grew 4.9% in 1999, the MEF projects that the sub-sector will grow by about 12% a year for the next several years. Spending for infrastructure projects and for office and residential construction and rehabilitation will continue to fuel the growth of this sub-sector.

### **III. Government Role in the Economy**

Cambodia has a free market economy. It has eliminated most non-tariff barriers to trade and screens investments only to award investment incentives. Cambodia's legal structure and government policies are intended to promote exports and attract investment.

Even in the communist era, the state-owned industrial base was never extensive, and the government began to sell and lease government assets as early as 1989. Under the terms of a privatisation agreement worked out with the IMF in 1994, a few additional state-owned enterprises were sold and many more were leased. The role of state-owned enterprises in the economy is not significant today.

Since its establishment in 1993, the Royal Government of Cambodia has adopted a budget statute and significantly increased the transparency of Government budget operations. On the other hand, more than 30 years of conflict have left Cambodia with a government budget heavily skewed toward defense and security expenditures, which together accounted for 42.7% percent of government spending in 1999. Freeing budget resources to address poverty reduction is the overriding goal of the government's reform program, and the Government has committed to significantly increase spending on the priority social sectors of health, education, agriculture, and rural development. However, line ministries complain that budgetary disbursements in these sectors lagged significantly in 1999, especially at the provincial level.

Cambodia is still in the process of developing a regulatory framework that will



assure the health, safety, and wellbeing of individuals and companies operating in the free market economy. In the health sector, Cambodia has legislation regulating pharmacies and pharmaceuticals. In May 2000, the national assembly passed a law on quality of goods and services, comprising food safety, consumer protection and product liability. Government priorities for 1999 include passage of a new Land Law, a new Forestry Law, a Business Organisation Law and a Trademark Law by the end of the year.

#### **IV. Balance of Payments**

According to MEF, Cambodia's 1999 current account deficit, excluding official transfers (grant aid) was \$362 million, or 11.6% of GDP. The deficit was financed mainly by official development assistance grants (\$191 million) and loans (\$45 million), and foreign direct investment (\$160 million). As of the end of 1999, Cambodia's gross official reserves were equivalent to 3.5 months of imports.

Cambodia's foreign debt is equal to approximately \$1.3 billion, the majority of which it owes to Russia for debts incurred to the countries of the former Council for Mutual Economic Assistance, including the Soviet Union. Cambodia has not yet reached agreement with the Russian Federation on repayment of its debt. Cambodia's second largest creditor is the United States. Cambodia signed a Terms of Reference with the Paris Club of creditor nations in 1995 awarding Cambodia's official debt the Club's most favorable terms (Naples terms). Based on these terms, the U.S. Government presented a draft bilateral debt rescheduling to the Cambodian government in 1995, but Cambodia has not yet signed the agreement.

The Cambodian government follows a market-oriented exchange rate policy. The National Bank of Cambodia (NBC) performs periodic foreign exchange auctions. Since the first auction in 1993, the spread between the official and free market rates has been kept to no more than 2 percent.

#### **V. Infrastructure**

Cambodia's infrastructure, which was almost completely destroyed after more than 20 years of warfare, civil strife and neglect, is slowly being restored. Power supply to the city of Phnom Penh has improved dramatically since 1993, and approximately 50 megawatts of power were added to serve the city during 1995 and 1996. Plans for Cambodia's first independent power production project, scheduled to provide another 60 megawatts of electrical power to the city, are nearing completion. According to the Cambodia Power Sector Strategy (1999-2016) developed by the Ministry of Industry, Mines, and Energy (MIME), annual electricity demand in Cambodia is projected to rise from 522GWh in 1998 to 2,634 GWh in 2016. To meet this demand, the government plans to develop \$1 billion worth of hydro, gas turbine thermal, and combined cycle base load thermal generating plants in Phnom Penh, Sihanoukville, Battambang, and other cities from 2000 to 2010. The Cambodian government also plans to build a nation-wide transmission system during the same period. How Cambodia will finance development in the energy sector remains an open question.

The Cambodian government has not allocated significant budget resources to repairing the country's roads, nor has it worked out plans for private financing of road construction and repair. The highway system is therefore being rehabilitated through bilateral foreign assistance projects and multilateral loans, as they become available. Completion of the USAID-funded Route 4 rehabilitation project in late 1996 improved links between Phnom Penh and the deepwater port of Sihanoukville. Japan has rebuilt portions of routes 6 and 7 between Phnom Penh and Kampong Cham and is constructing a \$57 million bridge over the Mekong River at Kampong Cham. The Asian Development Bank (ADB) has provided a \$40 million loan to reconstruct Route 1 from the Neak Luang Ferry to the Vietnamese border by 2002. Other plans are in the works to rehabilitate portions of routes 3, 5, 6 and 7 with loans from the ADB and World Bank. The Cambodian government also seeks investors to repair other portions of the national highway system under build-operate-transfer (BOT) terms. A Thai contractor is currently repairing route 5 between Poipet, on the Thai border, and Sisophon on BOT terms.

The river port of Phnom Penh has been upgraded, and Japan has provided assistance to improve the cargo terminal at the deepwater port of Sihanoukville. The upgrade will include a new, 1000-meter-long, 12-meter-deep pier designed for oil tankers up to 30,000 tons.

Reliable fixed line and mobile telephone service are available in Phnom Penh and most provincial cities, but is expensive compared to other countries in the region. Fixed-line service is provided by the Ministry of Posts and Telecommunications, where as three cellular and one wireless local loop systems compete for mobile service. There is one international gateway, the operation of which MPTC has licensed to Telstra of Australia. In October 2000, MPTC intends to open a second international gateway. Long distance telephone rates have fallen, with calls to the U.S. now costing approximately \$3.80 per minute.

MPTC maintains a monopoly on Internet service in Cambodia, which it has licensed to two operators; its own subsidiary, Camnet, and a Bigpond, a joint venture with Telstra. The cost of Internet service has fallen to about \$3 per hour, but still remains far above the means of most Cambodians. The potential for e-commerce in Cambodia is further constrained by the relative unreliability of the postal system, and fact that few Cambodians have credit cards.

## **VI. Economic Prospects**

Cambodia has resumed its economic expansion, and is working with donors to develop the economic, legal and government institutions to support an investment-friendly open market economy. This transformation should continue, as long as political stability is maintained, and the government remains willing and able to implement the reform program it has committed to.



## **Chapter 3**

### **Political Environment**

The Kingdom of Cambodia is a constitutional monarchy with a market economy. Cambodia's constitution was adopted in 1993 and provides for a constitutional monarchy and for separation of powers between the executive, legislative and judicial branches of government. King Norodom Sihanouk is Cambodia's constitutional monarch. According to the Constitution, he reigns, but does not govern. Norodom Sihanouk was Cambodia's constitutional monarch from the time Cambodia became independent from France in 1953 to the republican coup of 1970. Sihanouk was also nominal head of state during the notorious Khmer Rouge regime, 1975-79.

The current system of government emerged from the Paris Peace Accords in 1991, in which four warring factions agreed to put aside hostilities and allow the United Nations to set up a transitional authority (UNTAC) in Cambodia which would administer the country until Cambodia could draft a new constitution and hold democratic elections. The elections took place in 1993, resulting in a coalition government between the royalist FUNCINPEC Party of Prince Norodom Ranariddh, and the Cambodian People's Party (CPP) lead by Hun Sen, which had ruled Cambodia since 1979.

The 1993 coalition government collapsed during factional fighting in July 1997, during which Second Prime Minister Hun Sen ousted First Prime Minister Norodom Ranariddh. Many FUNCINPEC and opposition party the country, but returned to participate in national elections in July 1998. Four months after the election, CPP and FUNCINPEC formed the current coalition government. Hun Sen is Prime Minister. Prince Norodom Ranariddh is president of the National Assembly. Cambodia's 24 government ministries are split between the two parties, except for the Ministries of Defense and Interior, which have co-ministers from each party. The CPP has 64 seats in the National Assembly, FUNCINPEC 43 seats, and the opposition Sam Rainsy Party, lead by the former Finance Minister of the same name, has 15 seats. In March 1999, Cambodia created a Senate with two members appointed by the King, and 59 others appointed by the various parties in proportion to their representation in the National Assembly. The Senate is led by President Chea Sim (CPP), who acts as head of state in the king's absence.

Cambodia is divided administratively into 20 provinces (Khaet) and 4 municipalities (Krong). Each province is divided into districts (Srok), and further into over 1600 communes (Khum) nationwide. Provincial and district leaders are appointed

by the central government, and are currently split between the two coalition parties. Commune leaders are mainly the same individuals who the CPP appointed in the 1980s. However, Cambodia is currently drafting legislation to allow for elections for commune officials, which are planned for 2001.

Since the UNTAC period, Cambodia has undertaken an aggressive economic and political reform program with the assistance of the International Financial Institutions and various multilateral and bilateral donors. Reforms slowed down during the period of instability beginning in mid-1997, but resumed in late 1998. Donors expressed their confidence in the government's commitment to reform at the World Bank-chaired donors' Coordinating Group meeting in Tokyo in February 1999 with pledges of about \$470 million in assistance, but intensified their monitoring of Cambodia's progress. Donors also instituted regular consultations with the Cambodian government on key reform areas including military demobilisation, forestry reform, fiscal reform, administrative reform and various other issues. Cambodia performed well on its reform program in 1999, and donors pledged a total of \$548 in assistance at a Coordinating Group meeting in May 2000.

The United States of America has full diplomatic relations with Cambodia and normal trade relations. Cambodia received MFN status from the U.S. under the terms of a 1996 agreement on Trade and Intellectual Property Rights, and received GSP benefits from the U.S. in 1997. Cambodia signed a ground-breaking textile agreement with the United States in 1999, which offers increased textile quota if the U.S. determines that Cambodia is in substantial compliance with internationally recognised core labor standards. Cambodia has begun the process of accession to the WTO, and is a member of the Asean Free Trade Area.

The Cambodian government has adopted a free market, pro-investment economic policy. The state role in the economy is minimal and the government offers significant incentives to attract foreign investors. The government has recently begun regular consultations with the business community. However, significant gaps in the legal system, the weakness of key financial institutions such as the banking sector, and problems of non-transparency and corruption continue to deter investment. One notable exception has been the garment industry, which has attracted over 160 new factories since 1994 and now accounts for over 90 percent of Cambodia's exports. This industry was drawn to Cambodia by the availability of textile quota for the U.S. market, and Cambodia has not yet repeated this degree of success in any other industrial sector.

## **Chapter 4**

### **Marketing U.S. Products and Services**

#### **1. Direct marketing**

Cambodians value quality and reasonably-priced U.S. consumer goods. A wide variety of U.S. goods, often purchased through U.S. wholesale outlets and shipped for resale in Cambodia are available in Cambodian markets. There is little direct marketing of U.S. products in Cambodia, and little e-commerce.

At 11.7 million persons, the Cambodian market is small and per capita GDP of approximately \$279, is low. Informal estimates of per capita GDP in purchasing power terms tend to be around \$1,500.

Despite Cambodia's low population base, a key investment attraction is Cambodia's strategic regional location within the Mekong region. There is significant cross border trade between Cambodia and its neighbors, Thailand, Vietnam and Laos. Cambodia is a member of Asean, which has over 225 million consumers, and is on track to join the Asean Free Trade Area.

#### **2. Distribution and sales channels**

There are three widely used distribution channels. Wholesalers import goods and then sell the goods to retailers. In some cases, the wholesalers provide delivery service, credit and warranties to small shops or stands in the local markets. Some sellers reach consumers through their own retail shops or via vans, which travel throughout the country. Finally, sellers who have no retail shops sell directly to customers by advertising in newspapers, and on radio and television.

#### **3. Use of agents and distributors; finding a partner**

Many Cambodian firms wish to become agents or distributors of U.S. companies, since U.S. goods and services are well received here. The U.S. Embassy in Phnom Penh can help companies identify agents, distributors and partners.

Cambodia has no Company Law, but draft legislation defines a general partnership as a contract between two or more partners for the purpose of undertaking certain commercial activities. A general partnership automatically exists any time two or

more persons act together to pursue the same commercial interest. A sole proprietorship is defined as a an enterprise wholly owned by a single natural person. It is possible to register a sole proprietorship at the Ministry of Commerce (which currently acts as a registrar of companies) but it is not possible to register a general partnership in the absence of a duly enacted companies law.

#### **4. Franchising**

Cambodia has no special laws regulating franchises.

#### **5. Joint ventures/licensing**

Joint ventures are common, but no special laws apply. Joint ventures with the government exist; the government contributes a 51 percent share, generally, in real estate while the foreign joint venture partner, with 49 percent share, brings cash or equipment to the deal. The government percentage fluctuates widely and 51% is not the general rule.

#### **6. Steps to establishing an office**

The Council for the Development of Cambodia (CDC) approves applications for investment incentives pursuant to the Investment Law promulgated august 4, 1994. The Cambodian Investment Board (CIB), a division of the CDC, is responsible for accepting and reviewing investment applications.

Investors seeking incentives (see chapter 7, part A.1. Of this guide) should file an application with the CIB. Included should be an application fee (which varies between \$100-\$500 at the time of application and \$200 - \$1000 at the time of approval, the amount depending on the value of the investment project), a feasibility study, and the annual report of the shareholder company. From the date of submission of the application, the CIB has 29 days to decide whether to approve incentive.

Upon receipt of an agreement in principle from the CIB, the investor prepares registration forms for filing with the Ministry of Commerce. The Ministry of Commerce issues the formal business license. Twenty-five percent of the company's registered paid-up capital must be deposited in a company bank account 30 days from the date of the agreement in principle and such a deposit is required prior to the Ministry of Commerce issuing a business license.

Investors not seeking incentives or not establishing companies in promoted sectors fall outside of the jurisdiction of the CDC, and must register companies solely with the Ministry of Commerce. The promoted sectors included manufacturing, infrastructure development, hotels (international standard) and environmental protection activities. U.S.-trained attorneys who wish to establish offices in Cambodia are required by terms of the bar statute, passed in June 1995, to affiliate with an attorney licensed in Cambodia.

## **7. Selling factors/techniques**

There are no factors or techniques peculiar to this market.

## **8. Advertising and trade promotion**

Although newspaper advertising is most commonly used, radio and television are also effective means of reaching the Cambodian public. Following is a brief listing of major newspapers and business journals:

**A) Phnom Penh Post (English language)**

Address: 10a, street 264, Phnom Penh  
Mobile: (855) 15-912-480 or 23-724-107  
Fax: (855) 23-426-568  
Managing Director: Mr. Michael Hayes

**B) Cambodia Daily (English language)**

Address: 50b, street 240, Phnom Penh  
Phone: (855) 23-426-602 or 23-360-225  
Fax: (855) 23-426-573  
Editor-in-chief: Mr. Chris Decherd

**C) Business News (English language)**

Address: 209a, street 63, Phnom Penh  
Phone: (855) 23-360-031, 17-202-840, 15-912-840, 18-813-111  
Fax: (855) 23-360-031  
Managing editor: Mr. William Chan.

**D) Cambodge Soir (French language)**

Address: 26, street 302, Phnom Penh (P.O. box 627)  
Mobile: (855) 18-810-237  
Phone: (855) 23-362-654  
Fax: (855) 18-810-237  
Editor: Mr. Pierre Gillette.

**E) Reasmey Kampuchea (Khmer language)**

Address: 476, Preah Monivong Blvd., Phnom Penh  
Phone: (855) 23-427-486 or 23-362-472  
Fax: (855) 23-362-472  
Editor: Mr. Pen Samithy.

### **List of Radio Stations:**

**A) National Radio of Cambodia**

Address: 2, street 106, Phnom Penh  
Mobile: (855) 18-810-184 or 8110-693

Phone: (855) 23-723-369 or 23-368-140  
Fax: (855) 23-427-319  
General Director: Mr. Vann Seng Ly  
Affiliation: Independent National Radio

B) Radio Station FM 97 Mhz  
Address: 69, street 360, Phnom Penh  
Mobile: (855) 17-810-063 or 18-811-979  
Fax: (855) 23-427-459  
Director General: Mr. Ok Prathna  
Affiliation: CPP Party

C) Radio Station FM 98 Mhz  
Address: 169, Czechoslovakia Blvd., Phnom Penh  
Phone: (855) 23-366-061 or 062  
Fax: (855) 23-366-063 or 064  
General Director: Mr. Tha Tana  
Affiliation: Royal Cambodian Armed Forces

D) Radio Station FM 99 Mhz  
Address: 41, Street 360, Phnom Penh, Cambodia  
Mobile: (855) 17-811-057  
Phone: (855) 23-428-099 or 426-749  
Fax: (855) 23-426-910  
General Director: Mr. Som Chhaya  
Affiliation: CPP Party

E) Phnom Penh municipality radio station FM 103 Mhz  
Address: 2, Russia Federation Blvd., Phnom Penh  
Mobile: (855) 18-810-025 or 812-389  
Phone: (855) 23-366-521 or 724-132  
Fax: (855) 23-366--520  
General Director: Mr. Khampun Keomany Vong  
Affiliation: CPP party

#### **List of Television Stations:**

A) National TV (TVK) of Cambodia  
Address: 19, street 242, Phnom Penh  
Mobile: (855) 18-810-716 or 18-811-709  
Phone: (855) 23-724-149  
Fax: (855) 23-426-407  
General Director: Mr. Mao Ayuth  
Affiliation: Independent National Television

B) IBC TV Cambodia



Address: 165, Borey Keyla area, Phnom Penh  
Phone: (855) 23-366-061 or 062  
Fax: (855) 23-366-063  
General Director: Mr. Tha Tana  
Affiliation: Royal Cambodian Armed Forces

C) TV9 (Khmer Television 9)  
Address: 81, Street 562, Phnom Penh  
Mobile: (855) 15-911-762  
Fax: (855) 23-368-212  
General Director: Mr. Khun Hang  
Affiliation: Funcinpec Party

D) Apsara Television 11  
Address: 69, Street 360, Phnom Penh  
Mobile: (855) 17-810-063 Or 18-811-979  
Fax: (855) 23-427-459  
General Director: Mr. Ok Prathna  
Affiliation: CPP Party

E) Phnom Penh Municipality TV-3 Station  
Address: 2, Russian Federation Blvd., Phnom Penh  
Mobile: (855) 18-810-025 Or 18-812-389  
Phone: (855) 23-724-132 Or 23-366-520  
Fax: (855) 23-366-520  
General Director: Mr. Khampun Keomany Vong  
Affiliation: CPP Party

## **9. Sales service/Customer Support**

After sales service and customer support are important to sales of products here.

## **10. Protecting Your Product from IPR Infringement**

Cambodia has drafted, but not yet adopted, patent, trademark and copyright legislation. All appear to meet international standards. The Ministry of Commerce registers trademarks. The Ministry requires appropriate documentation for registration of a trade mark. The Ministry of Industry, Mines and Energy registers patents and trademarks for locally manufactured goods (thus duplicating the Ministry of Commerce in this regard), and the Ministry of Culture and fine arts controls copyright.

## **11. Need for a Local Attorney**

Attorney licensing procedures are currently being formulated. U.S. attorneys affiliated with Cambodian attorneys as required by the bar statute can be contacted through the following entities (listed alphabetically):

A) Allens Arthur Robinson Group  
Contact Person: Ms. Lisa Button  
Level 2, 11 bis, Street 278  
Boeng Keng Kang, Chamcar Monn, Phnom Penh  
Tel: (855) 23-215-664

B) Cabine D'avocat Phnom Penh Law Office  
Contact Person: Ms. Klok Kendevy  
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## **Chapter 5**

### **Leading Sectors for U.S. Exports and Investment**

With badly deteriorated infrastructure and little industrial base, the resurgent Cambodian economy relies heavily on imported goods and services. American companies enjoy a reputation for quality and reliability in Cambodia, which gives them a distinct advantage in the market place. Cambodian merchants and consumers proudly display U.S. brand names, and there are a surprising variety of U.S. products available in Cambodian markets.

However, Cambodia is a very poor country with an underdeveloped private sector. There is significant market potential in a number of sectors, but low levels of domestic and foreign investment, as well as the unavailability of local credit have kept Cambodia from realizing this potential. Cambodia is still heavily dependent on foreign assistance to fund public investment, and Cambodian households, which can afford western-style goods number only in the tens of thousands. The most profitable U.S. companies currently operating in Cambodia are in the services sector. The areas listed below represent the U.S. Embassy's current assessment of best prospects for U.S. exports and investment in the near to medium term. These areas are not rank ordered.

#### **1. Architecture, Construction, and Engineering Services**

After over 25 years of war, Cambodia is beginning to reconstruct its devastated infrastructure, principally with assistance from international donors. Construction and engineering services continue to be in demand. Public works and transportation are a high priority for the Cambodian government and donors alike. The World Bank and Asian Development Bank are especially active in road construction in Cambodia. The government has also offered Build-Operate-Transfer (BOT) concessions to several companies to rehabilitate portions of Cambodia's national highway system. Cambodia is also eager to upgrade its provincial airports. Because there is no money in the national budget to perform these activities, Cambodia has offered BOT concessions for the provincial airports as well.

#### **2. Agribusiness and Food Processing**

With a low population density, and abundant arable land, conventional wisdom is that Cambodia's comparative advantage is in the agricultural sector. Eighty-five percent of Cambodia's population are engaged in agriculture. As a matter of policy, the

Cambodian government encourages investment in agriculture, diversification of agricultural products, and investment in improved irrigation and water control, but the government lacks funds to promote such activities on a large scale. Demand for such equipment as water pumps, well-drilling machines, tractors, tilling equipment, rice milling and packaging equipment, fertilizers, insecticides and seed currently comes from NGO's and private agri-business investors. There is significant potential to expand the production of high yield varieties of rice and other crops, and several investment projects in oil palm, tapioca and cashew plantations are under way. The presence of an increasing number of plantations creates growing opportunities in food processing for export and domestic consumption.

### **3. Used Cars and Automotive Parts**

Automobile ownership is rapidly increasing in Cambodia, almost entirely in urban areas. The vast majority of cars are imported second-hand vehicles, and right-hand drive vehicles from Thailand and Japan are becoming less popular as the government is beginning to enforce its prohibition against them. The U.S. is the second largest supplier of vehicles after South Korea. The most popular models are 4-wheel drive vehicles, and mid-sized Japanese sedans. Automobile parts and automobile accessories from the United States are available in Cambodian markets. As with other products, U.S. auto parts have a reputation for quality and attract a higher price than parts produced in Thailand, Taiwan or other Asian countries.

### **4. Household Goods and Appliances**

Although few in number, Cambodia's urban elite are willing to pay for quality. Numerous American food and consumer products, from condiments to cleansers are available in Phnom Penh's supermarkets. Few U.S. appliances such as refrigerators and washing machines are sold in Cambodian markets, but such products would likely compete well with the poor quality goods now sold in Cambodia. There is also potentially strong, but under-served demand for domestic water purification equipment.

Because of Cambodia's tropical climate, there is significant demand for air conditioning equipment, and several U.S. brands are available in Cambodian markets. The most popular models are split units with remote control features. Very few buildings have central air conditioning, but there is a market for industrial scale equipment in Cambodia's garment and footwear industry. High energy costs mean that energy efficiency is a strong selling point for any type of appliance in Cambodia.

### **5. Power Generation equipment**

Cambodia's public utilities are unreliable, expensive, and cover only the major cities. There is tremendous demand in Cambodia for diesel generators for use as back up power, on-site industrial power plants, and power generation in rural areas not served by public utilities. Natural gas is not currently economical in Cambodia.

The Ministry of Industry, Mines and Energy has also prepared a detailed energy development plan involving the proposed construction of several thermal power plants. As with other types of infrastructure development, the government does not have funding for such facilities, but U.S. suppliers should check World Bank and ADB websites regularly for potential new projects in the energy sector. The Cambodian government is amenable to private ownership and private financing of power plants, and one such facility in Phnom Penh is currently under development.

## **6. Fast Food and Beverage Franchises**

Fast food and beverage franchises are conspicuous in their absence in Cambodia. Despite Cambodia's poverty, there is a sufficiently large urban middle class in Phnom Penh at least to support such businesses. The few local enterprises, which emulate U.S.-style fast food restaurants are popular and busy. The U.S. Embassy has received numerous inquiries from local businesses about joint-venture possibilities with well-known U.S. franchises. Cambodia's air and land links to Thailand and Vietnam make it easy for local restaurants to secure adequate supplies of fresh ingredients which meet western standards, and the government offers generous investment incentives in the agricultural sector which would potentially be available to any franchise interested in local production.

## **7. Drugs, Medical Supplies and Medical Equipment**

The United States is the second largest supplier (after France) of drugs, medical supplies and medical equipment to Cambodia. The Ministry of Health is the single largest purchaser of drugs, medical supplies and medical equipment, but the proportion of health care provided by the private sector is increasing. Only companies licensed by the Ministry of Health may import drugs, medical supplies or medical equipment, and list of these importers is available from the Ministry or the U.S. Embassy. There is no prohibition on importing used medical equipment to Cambodia.

## **Chapter 6**

### **Trade Regulations and Standards**

#### **1. Trade Barriers**

The Cambodian government has eliminated most non-tariff barriers to trade. Import licenses are required for firearms and pharmaceuticals. Export licenses are required for antiquities, rubber and timber. Garment exports require certificates of origin (CO) from the Ministry of Commerce.

#### **2. Customs Duties**

Customs duties have been simplified to a four band system, with rates ranging from 0 to 120 percent, as follows:

- luxury goods, including automobiles, wine, cigarettes, perfume, weapons and cosmetics, carry a tariff of 70 percent.
- finished products, including televisions, radios, cassette players, paints and household furnishings carry a tariff of 35 percent.
- machinery and equipment carry tariffs of 15 percent.
- raw materials, such as cement, iron, tile and brick, and items considered essential to daily life, including meats, fruits, tea, vegetable oil, sugar, soap, shoes, eye glasses, clothing and bicycles, carry a tariff of 7 percent.

The following items are exempt from import duties: agricultural equipment and inputs, school materials and equipment, pharmaceutical products and sporting goods, but importers of these products must still pay value-added tax (VAT) of 10 percent.

Customs Valuation: Cambodia is in the process of re-instituting a system of preshipment inspection through Societe Generale de Surveillance (SGS). (Preshipment inspection was suspended in mid-1999 due to a contractual dispute between SGS and the Cambodian government.) SGS has 1,170 offices in 140 countries. Any imported goods shipped in a container and which cost over \$5,000 must undergo pre-shipment inspection. Only cigarettes are exempt from inspection.

#### **Point of Contact**

SGS Cambodia liaison office

Address: #368, Street 163, Chamkarmon District, Phnom Penh

Contact person: Mr. Roeun Sokol, local representative

Tel: (855) 23-428-727

Fax: (855) 23-428-745



#### **4. Import Licenses**

Import licenses have been abolished, with the exception of those required for firearms and pharmaceuticals. Firearms licenses may be obtained from the Ministry of Interior and pharmaceutical licenses from the Ministry of Health.

##### **Points of Contact:**

-- Ministry Of Interior

Address: #275, Preah Norodom Blvd., Phnom Penh, Cambodia

Tel: (855) 23-722-093

Fax: (855) 23-426-585

-- National Laboratory for Drug Quality Control, Ministry of Health

Address: #36, Pochentong Blvd., Phnom Penh

Contact Person: Mrs. Nam Nivanna, director

Tel: (855) 23-366-381

Fax: (855) 23-426-841

#### **5. Export Controls**

The government requires export licenses for logs, sawn timber, precious metals and stones, and antiquities.

Import/Export Documentation:

Cambodian customs requires importers and exporters to provide a bill of lading, packing list and invoice for all shipments. Goods shipped through Vietnam via the Mekong river must also have a transit license.

#### **6. Temporary Entry**

Cambodia has not established temporary entry procedures.

#### **7. Standards**

Camcontrol, a unit of the Ministry of Commerce, is charged with standards-setting. Camcontrol does not currently have a mechanism for industry participation in standards-setting. Cambodia passed a new law on product quality in May 2000. The Ministry of Commerce requires foodstuffs to have a label including the following information: name of goods, producer name and address, source, quantity, batch number and production date, expiration date, ingredients, directions for use (if necessary) and license of authorizing institution (if required for local products).

**Point Of Contact:**

-- Cambodia Import Export Inspection and Fraud Repression Direction (Camcontrol),  
Ministry of Commerce  
Address: #50, Street 144, Phnom Penh, Cambodia  
Contact Person: Mr. Suth Dara, Director  
Tel: (855) 23-300-881  
Fax: (855) 23-310-881

**8. Prohibited Imports**

Narcotics, explosive and poisonous chemicals and substances are prohibited imports.

## **Chapter 7**

### **A. Investment Climate Statement**

Cambodia is a developing country with a market economy. Since Cambodia re-established a constitutional monarchy in 1993, the economy has grown rapidly, except for a period between mid-1997 and late 1998, when Cambodia suffered political instability and the spill over effects from the Asian financial crisis. The economy began to rebound in late 1998, with the establishment of the current coalition government, but foreign investment in most sectors has lagged, and Cambodia must depend heavily on foreign assistance to meet its investment needs. Since early 1999, the Cambodian government has intensified its economic reform program, a process which the international financial institutions and donors participate in and monitor closely.

#### **1. Openness to Foreign Investment**

Cambodia's 1994 law on investment establishes an open and liberal foreign investment regime, and the council for the development of Cambodia (CDC), Cambodia's foreign investment approval body, administers an attractive package of investment incentives (discussed in detail in section 5). All sectors of the economy are open to foreign investment, there are no performance requirements, and no sectors in which foreign investors are denied national treatment. An August 1999 sub-decree provides some restrictions on foreign investment. Publishing, printing, radio and TV activities are limited to 49% foreign equity and there must be an unspecified amount of local equity in gemstone exploitation, brick making, rice mills, wood and stone carving manufacture and silk weaving. While other sectors are eligible for 100% foreign investment, investment incentives vary according to the nature of the investment project (see section 5).

Article 44 of the constitution provides that only Khmer legal entities and citizens of Khmer nationality have the right to own land. Aside from this, there is little or no discrimination against foreign investors either at the time of initial investment or after investment. Some foreign businesses have reported, however, that they are at a disadvantage vis-a-vis Cambodian or other foreign rivals which engage in acts of corruption or tax evasion, or take advantage of Cambodia's poorly enforced or non-existent labor, work-place safety, product quality or environmental standards to cut costs.

The privatization of state enterprises is not carried out in a transparent manner. In several instances, the public has learned that enterprises were for sale only after the government has announced a sale to a particular buyer.

Investor rights provided for in the law on investment include:

- investors shall be treated in a non-discriminatory manner, except for land ownership as provided for in the constitution of the Kingdom of Cambodia.
- the Royal Government of Cambodia shall not undertake a nationalization

policy which adversely affects private properties of investors.

- the Royal Government of Cambodia shall not impose price controls on the products or services of an investor who has received prior approval from the Government.
- the Royal Government of Cambodia, in accordance with relevant laws and regulations, shall permit investors to purchase foreign currencies through the banking system and to remit abroad those currencies as payments for imports, repayments on loans, payments of royalties and management fees, profit remittances and repatriation of capital.

## **2. Conversion and Transfer Policies**

There are no restrictions on the conversion of capital. As noted in section 1, the Law on Investment guarantees investors the right to purchase foreign currencies through the banking system and to remit foreign currencies as payments for imports, repayments on loans, payments of royalties and management fees, profit remittances and repatriation of capital. The Foreign Exchange Law does allow the National Bank of Cambodia (the central bank) to implement exchange controls in the event of a crisis, and the law does not define what would constitute a crisis. The U.S. Embassy is not aware of any cases in which investors have encountered obstacles in converting local to foreign currency, or sending capital out of the country.

## **3. Expropriation and Compensation**

Article 44 of the Cambodian constitution (which restricts land ownership to Cambodian nationals) also states that “the (state’s) right to confiscate properties from any person shall be exercised only in the public interest as provided for under the law and shall require fair and just compensation in advance.” Article 58 states that “the control and use of state properties shall be determined by law.” Under the existing land law, all land is considered state property. As noted in section 1., The Law on Investment provides that “the Royal Government of Cambodia shall not undertake a nationalization policy which adversely affects private properties of investors.”

The Cambodian government has taken no expropriatory actions in the recent past. There are currently no investment disputes involving the expropriation of property belonging to U.S. citizens.

## **4. Dispute Settlement**

Cambodia's legal system is a mosaic of pre-1975 statutes modelled on French law, communist-era legislation dating from 1979-1991, statutes put in place by the UN Transitional Authority in Cambodia (UNTAC) during the period 1991-93, and legislation passed by the Royal Government of Cambodia since 1993. The legal system contains many gaps in key areas such as bankruptcy, commercial arbitration, intellectual property

rights, and others.

The Cambodian legal system has also traditionally favored mediation over adversarial conflict and adjudication. Thus compromise solutions are the norm, even in cases where the law clearly favors one party in a dispute. Although plans to create a commercial tribunal and an arbitration and mediation body are in the works, courts are currently the only judicial forum in which to settle commercial disputes. Certain government ministries will act as a mediator in some cases, but their legal authority is limited.

Cambodia's court system is weak. Judges, who have been trained either for a short period in Cambodia or under other systems of law, have little access to published Cambodian law. Judges are inexperienced and courts are understaffed. The local and foreign business community have reported frequent problems with inconsistent judicial rulings as well as outright corruption. Cambodian judges are paid minimal salaries (approximately \$20 per month) which are not adequate to sustain a livelihood. Corruption is a far greater problem in Cambodian courts than government interference in judicial decisions.

There are currently no laws requiring a Cambodian court to enforce either a foreign judgement or arbitral award. The Cambodian government has acknowledged the desirability of binding international arbitration, and hopes to include implementing provisions for the New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards, which Cambodia signed in 1960, in the commercial arbitration code. Meanwhile, the government has prepared interim legislation to bring the New York Convention into force, but has not yet submitted it to the National Assembly. Regardless of the legal basis for implementing arbitration awards, foreign or domestic, the ability Cambodian courts to enforce even their own decrees remains limited.

## **5. Performance Requirements/Incentives**

There are no performance requirements imposed on foreign investors in Cambodia.

The law on investment also provides for a generous set of investment incentives. Investment incentives are administered by the Council for the Development of Cambodia (CDC), which was created as a one-stop shop to facilitate foreign investment.

The law on investment and subsequent decrees create the following incentives:

- a corporate tax rate of 9 percent, significantly lower than the standard corporate profit tax rate of 20 percent for business enterprises not receiving cdc investment incentives. (Natural resources companies, including timber and oil companies and companies mining gold and precious stones, are subject to a 30 percent corporate profit tax rate.)

- an exemption from the corporate profit tax of up to eight years, depending on the type and location of project.
- a 5-year loss carry-forward.
- tax-free distribution of dividends, profits and proceeds of investment.
- tax-free repatriation of profits.
- 100 percent exemption from import duties on construction materials, machinery and equipment, spare parts, raw materials and semi-finished products, and packaging materials for most projects for the construction period and first year of operation. The period of exemption from customs duties for the above items can be extended for export-oriented projects with a minimum of 80 percent of production set aside for export and projects located in a special development zone (note: the Cambodian government has not yet specified the special development zones).
- employment of expatriates where qualified Cambodians are unavailable.

The list of sectors to which investment incentives apply, without regard to the amount of investment capital, includes: crop production; livestock production; fisheries; manufacture of transportation equipment; highway and street construction; exploitation of minerals, ore, coal, oil, and natural gas; production of consumption goods; hotel construction (three stars or higher); medical and education facilities meeting international standards; vocational training centers; physical infrastructure to support the tourism and cultural sectors; and production and exploitation activities to protect the environment.

Investment incentives are available for manufacturing projects in the following sectors when investment capital exceeds \$500,000: rubber and miscellaneous plastics; leather and other products; electrical and electronic equipment; and manufacturing and processing of food and related products. A minimum investment of \$1,000,000 applies when seeking incentives in the following three sectors: apparel and other textiles; furniture and fixtures; chemicals and allied products; textile mills; paper and allied products; fabricated metal products; and production of machinery and industrial equipment.

The following sectors are not eligible for investment incentives, although investment is permitted: all types of trading activities; all forms of transportation services; duty-free shops; restaurants, karaoke, and night clubs; business centers; press related activities and media networks; retail and wholesale operations; and professional services. According to Cambodia's 1995 law on The Establishment of the Bar, foreign business firms which wish to offer legal services in Cambodia must affiliate with a Cambodian attorney.

Investors who wish to take advantage of investment incentives must submit an application to the Cambodian Investment Board (CIB), the division of the CDC charged



with reviewing investment applications. Investors who do not wish to apply for investment incentives may establish their investment simply by registering corporate documents with the Ministry of Commerce. Once the investor's application is complete and an application fee paid, the CDC is required by executive order to issue a decision on an investor's application within 28 days, although this time limit has often been exceeded. (In practice, investors report that licensing requires involves significant red tape and visits to multiple government agencies, despite CDC's designation as a one-stop shop.)

Once the CDCc approves the project in principle, the investor must pay a second application fee, deposit a performance guarantee of between 1.5 and 2 percent of the total investment capital at the National Bank of Cambodia, and register the corporate entity at the Ministry of Commerce. Once these steps have been taken, the investor will receive a formal investment license from the CDC requiring the investment to proceed within six months. Once the project is 30 percent completed, the investor is eligible for a refund of the performance guarantee.

Following recommendations from international financial institutions, the Cambodian government has scaled back its investment incentives, which the World Bank has called "critical impediments to revenue mobilization." The government committed to review the law on investment before 2001, and further streamlining of incentives is likely.

Cambodia is not a member of the WTO, and not subject to TRIMS notification requirements, but will provide relevant information on its investment regime to the WTO as it pursues accession.

## **6. Right to Private Ownership and Establishment**

There are no limits on the rights of foreign and domestic entities to establish and own business enterprises, or to compete with public enterprises. However, the constitution provides that only Khmer citizens or legal entities have the right to own land. Section 1 above describes several investment sectors in which certain levels of local equity are required. Section 5 describes how investment incentives vary depending on the nature of the investment project.

## **7. Protection of Property Rights**

Chattel and real property: the 1992 Land Law provides a framework for real property security and a system for recording titles and ownership. In practice, the titling system is not fully functional anywhere in Cambodia, and the majority of property owners have no documentation of any kind to prove their ownership. Even where title records exist, recognition of legal title to land, has been a problem in some court cases where judges have sought additional proof of ownership. Mortgages exist in Cambodia, but are rare, and judicial enforcement is uncertain.

Intellectual property rights (IPR): Cambodia is not a WTO member, and its

rudimentary IPR regime falls far short of WTO standards. The 1996 U.S. - Cambodia Trade Agreement contained a broad range of IPR protections, but given Cambodia's very limited experience with IPR, the agreement granted phase-in periods for the Cambodian government to fully implement these provisions, including the enactment of new legislation. Cambodia is not in compliance with these terms of the trade agreement.

IPR protection is based on several brief articles contained in the 1992 UNTAC Criminal Code. Cambodia became a WIPO member in 1995, acceded to the Paris Convention in September 1998, but has indicated its intention to join the Bern and UPOV Conventions, and the Patent Cooperation Treaty. The Cambodian government is making progress on IPR legislation. The Cambodian government has drafted trademark, copyright and patent laws with assistance from WIPO. The status of these laws follows:

**Trademarks:** Cambodia has drafted a trademark law which complies with obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The draft outlines specific penalties for trademark violations, including jail sentences and fines for counterfeiting registered marks, and contains detailed procedures for registering trademarks. In the area of border measures, the 1999 draft law also adds new provisions allowing judicial review of the decision of customs authorities.

With no trademark law in force in Cambodia, owners of trademarks are unable to seek relief from infringement in court. The relatively few complaints that have been received have been directed to the Ministry of Commerce, which has responsibility for registering trademarks but does not have clear legal authority to conduct enforcement activities. Still, the Ministry has taken effective action against trademark infringement in several cases since 1998. In at least six cases, the ministry has ordered local firms to stop using well-known U.S. marks, including Pizza Hut, Nike, Scotties, and Pringles. Since 1991, the Ministry of Commerce has maintained an effective trademark registration system, registering more than 10,000 trademarks (over 2,900 for U.S. companies) under the terms of a 1991 sub-decree.

**Copyrights:** responsibility for copyrights is split between the Ministry of Culture (phonograms, CDs, and other recordings) and the Ministry of Information (printed materials). The Ministry of Culture prepared a draft copyright law in 1998. The draft is now under review in Cambodia's council of jurists, a prerequisite step for consideration by the cabinet. The Ministry has not sought comments on the law from the U.S. or private sector. With no copyright law or regulations in place, there accordingly has been no enforcement of the copyright provisions of the trade agreement. While Cambodia is not a major center for the production and export of pirated CDs, videos, and other copyrighted materials, these products are widely available in Cambodian markets. Pirated computer programs are widely used throughout the country. Imported pirated products are also available in Cambodian markets.

**Patents and industrial designs:** Cambodia has a very small industrial base, and infringement on patents and industrial designs is not yet commercially significant. With assistance from WIPO, the Ministry of Industry (MOI) prepared a draft of a

comprehensive law on the protection of patents and industrial designs in April 1999. The government has not yet submitted the draft to the Council of Ministers or National Assembly. The MOI has also prepared a draft sub-decree on granting patents and registering industrial designs which it intends to issue after the passage of the patent and industrial design law.

Encrypted satellite signals, semiconductor layout designs, and trade secrets: Cambodia has not yet made significant progress toward enacting required legislation in these areas, although it obtained model law on encrypted satellite signals and semiconductor layout designs from WIPO in March 1999.

IPR enforcement: with the exception of the trademark enforcement actions described above, the Cambodian government has not taken significant actions to enforce the IPR obligations contained in the U.S. - Cambodia Trade Agreement. (In February 2000, Phnom Penh police did arrest one individual on charges under the 1992 UNTAC criminal code allegedly importing and selling pirated Cambodian karaoke videos.) Once comprehensive IPR legislation is enacted, enforcing Cambodia's IPR obligations under the U.S. - Cambodia Trade Agreement will be a major challenge for the government and courts system.

## **8. Transparency of the Regulatory System**

There is no pattern of discrimination against foreign investors in Cambodia through the regulatory regime. Numerous issues of transparency in the regulatory regime arise, however, from the lack of legislation and the weakness of key institutions. Investors often complain that decisions of Cambodian regulatory agencies are inconsistent, irrational, or corrupt.

The Cambodian government is still in the process of drafting laws and regulations that establish a framework for the market economy. Commercial laws will be based on the Anglo-Saxon model, so as to assure Cambodia's conformity with the laws of other ASEAN countries.

Cambodia currently has no anti-monopoly or anti-trust statutes.

The tax system is under revision but currently includes a profit tax (0-20%), a withholding tax (usually 15%), a salary (personal income) tax (5-20%), a minimum turnover tax (1%), a value added tax (10%), specific taxes on certain merchandise and duties (rates vary), as well as import and export duties (rates vary).

The Cambodian constitution, and the 1997 Labor Code provide for compliance with internationally recognized core labor standards, and allows the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation to set health, safety and other conditions for the workplace. There are numerous gaps in the body of regulation necessary to bring the Labor Code into practice, however. (Section D of this report discusses the labor situation in more detail.)

The National Assembly passed a law and associated decree regulating pharmaceuticals in June 1996, giving administrative authority to the Ministry of Health. In May 2000, the National Assembly passed a law on quality of goods and services, comprising food safety, consumer protection and product liability. Food and product safety issues fall under the jurisdiction of the Cambodian standards authority, Camcontrol, which is under the Ministry of Commerce.

Camcontrol, the government's standards-setting arm, does not currently have a mechanism for industry participation in standards setting. There are currently no industry standards-setting organizations operating in Cambodia.

Cambodia's banks and financial institutions fall under the supervision of the National Bank of Cambodia (NBC), which is improving its capacity to perform this role with assistance from the IMF. In November 1999, Cambodia passed a new law on banking and financial institutions. This law, and subsequent regulations issued by NBC supercede earlier legislation and regulations. Cambodia's National Assembly is currently debating an insurance law, which would give the Ministry of Economy and Finance regulatory authority over the insurance industry.

## **9. Efficient Capital Market and Portfolio Investment**

Cambodia currently has no capital markets. There is no stock or bond market, no companies law and no means to purchase equity in a company except by agreement with the existing owners. Most companies are privately held, the exception being multinational firms.

The Cambodian government does not use regulation of capital markets to restrict foreign investment. Domestic financing is difficult to obtain at competitive interest rates for domestic and foreign-owned entities alike. There is currently no law addressing secured transactions or system for registering such secured interests. Most loans are secured by real property mortgages or deposits of cash or other liquid assets, as provided for in the existing contract law and land law.

Export/import financing is available from multi-national banks through a variety of credit instruments. The U.S. Overseas Private Investment Corporation (OPIC), the International Finance Corporation (IFC), and the Multi-lateral Investment Guarantee Agency (MIGA) offer both investment guarantees and loans in Cambodia. Eximbank does not operate in Cambodia.

Total assets of Cambodia's banking system at the end of 1999 were approximately 2,132 billion riels (\$554 million). Loans account for only about one third of the banking system's assets, and it is impossible to estimate the percentage of loans which are non-performing. Currently, some entities called banks appear not to engage in significant amounts of banking activity. Under the new Law on Banking and Financial Institutions, all of Cambodia's commercial banks must reapply for licenses from the

NBC, and meet new, stricter capital and prudential requirements. Analysts expect a significant amount of shakeout and consolidation within the banking sector.

## **10. Political Violence**

Political stability improved dramatically following the formation of the current coalition government in late 1998, and has brought an upturn in commercial activity, investor interest and tourist arrivals. Political violence occurred in Cambodia, however, following the July 1998 elections, and in 1997 during fighting between forces loyal to then-First Prime Minister Prince Norodom Ranariddh and then-Second Prime Minister Hun Sen.

Until the end of 1998 there was a diminishing but real threat of sporadic violence from remnant Khmer Rouge units in western parts of the country. There were large-scale defections of the Khmer Rouge in late 1998, and the Cambodian government arrested Ta Mok, the last remaining Khmer Rouge leader who had not defected, in early 1999.

There are no nascent insurrections in Cambodia. There have been no incidents involving politically motivated attacks against investment projects. Cambodia's relations with all of its neighbors are peaceful.

## **11. Corruption**

Local and foreign business people have identified corruption, particularly within the judiciary, as the single biggest deterrent to investment in Cambodia. Public sector salaries range from \$15-30 per month for working level officials, and less than \$300 per month for high ranking officials. These wages are far below the level required to sustain a livelihood in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Corrupt practices are widespread in Cambodia, and public officials make no effort to disguise their wealth.

Cambodian laws and regulations are not sufficient to address the problem of corruption. Laws dating from the UNTAC period (1991-93) against embezzlement, extortion and bribing public officials exist, but have never been enforced. After a draft national anti-corruption law failed to win national assembly approval in 1999, the Cambodian government undertook to revise the draft with cooperation from local and international NGOs, the World Bank, and bilateral donors. The draft applies only to acts of corruption within Cambodia, and includes provisions to establish an anti-corruption commission, declaration of assets and criminal penalties for payment or acceptance of bribes to or by public officials. Cambodia is not a signatory to the OECD Anti-Bribery Convention or any regional anti-corruption initiative. Cambodia is under increasing pressure from donors to address the issue of good governance in general, and corruption in particular.

In a draft action plan on good governance which the government presented to donors in May 2000, Cambodia indicated its intent to pass anti-corruption legislation by

late 2001. The government also created an anti-corruption commission within the cabinet in late 1999, but the exact role of this body is not yet clear.

## **B. Bilateral Investment Agreements**

Cambodia has signed investment agreements with Malaysia, Thailand, France, Switzerland, South Korea, Germany, Singapore, the People's Republic of China, and the Netherlands. The agreements provide reciprocal national treatment to investors, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation. The agreements preclude expropriations except those which are undertaken for a lawful or public purpose, non-discriminatory, accompanied by prompt, adequate and effective compensation at the fair market value of the property prior to expropriation; guarantee repatriation of investments; and provide for settlement of investment disputes via arbitration.

## **C. OPIC and other Investment Insurance Programs**

The Overseas Private Investment Corporation (OPIC) currently offers financing and political risk insurance for projects in Cambodia, although no U.S. investor has yet taken advantage of it. With most investment contracts written in U.S. dollars, there is little exchange risk. Even for riel-denominated transactions, there is only one exchange rate, which is fairly stable.

- point of contact: Overseas Private Investment Corporation; contact person: Mr. Bruce Cameron, Business development officer; address: 1100 New York Avenue NW, Washington, DC 20527, USA; phone: 202-336-8745; fax: 202-408-5145; email: [bcame@opic.gov](mailto:bcame@opic.gov) .

Cambodia is a member of the Multilateral Investment Guarantee Agency.

- point of contact: Multilateral Investment Guarantee Agency (MIGA), 1818 H St. NW, Washington, DC 20433, USA, Tel: (001) 202-477-1234; fax: (001) 202-522-2630.

## **D. Labor**

Cambodia has a labor force of approximately 6 million people, nearly 85 percent of whom are engaged in subsistence agriculture. Approximately 100,000 persons are employed in the fast-growing garment sector. Although the adult literacy rate is about 35 percent (lower for women than men), many adults and children enroll in supplementary educational programs, including English and computer training. Employers report that Cambodian workers are eager to learn and, when trained, are excellent, hardworking employees.

Given the severe disruption to the Cambodian education system and loss of skilled Cambodians to death and emigration during the 1975-79 Khmer Rouge period,



and the period that followed, workers with higher education or specialized skills are few and in high demand. Many investors must bring in expatriate employees to fill skilled positions, and Cambodian immigration and investment regulations make this relatively simple.

Cambodia's 1997 labor code protects the right of association, protects the right to organize and bargain collectively, prohibits forced or compulsory labor, establishes 15 as the minimum allowable age for a salary position, and 18 as the minimum allowable age for anyone engaged in work which may be hazardous, unhealthy or unsafe. The statute also guarantees an 8-hour workday and 48-hour work week, provides for time-and-a-half overtime pay, with double overtime for night work or work on the employee's day off. The law gives the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation (MSALVY) a legal mandate to set minimum wages for each industry after consultation with the tripartite Labor Advisory Committee. It has not yet done so for any industry, but a minimum wage of \$40 per month exists in the textile and garment industry, based on an agreement between the Garment Manufacturers Association and the Ministry of Commerce.

Cambodia does not currently have legislation governing worker health and safety, but there are various detailed ministerial regulations regarding payments in the event of on-the-job accidents. In labor disputes in which workers complain of poor or unhealthy conditions, MSALVY and the Ministry of Commerce have ordered the employer to take corrective measures.

Enforcement of many aspects of the labor code is poor, and the majority of labor disputes involve workers simply demanding conditions to which they are legally entitled. The U.S. Government, the ILO, and others are working closely with Cambodia to improve enforcement of the labor code, and workers' rights in general. The U.S.-Cambodia Bilateral Textile Agreement links Cambodian compliance with internationally recognized core labor standards with the level of textile quota the U.S. grants to Cambodia.

## **E. Foreign Trade Zones/Free Ports**

There are no foreign trade zones or free ports operating in Cambodia at present, although some proposals have been reviewed by the Cambodian government. The law on investment provides for incentives to encourage investments in "special promotion zones." However, the legislation defining "special promotion zone" is not yet in place.

## **F. Foreign Investment Statistics**

Total foreign direct investment (FDI) flows into Cambodia for the years 1995-1999 are presented in the table below. The Ministry of Economy and Finance (MEF) does not break down this data by country of origin or by economic sector.

Total annual FDI flows into Cambodia, in US\$ millions. (source: MEF)



1995	1996	1997	1998	1999
----	----	----	----	----
151	240	150	120	160

Figures from the CDC for registered capital of approved projects as of the end of 1999, including domestic investment, and broken down by country of origin and economic sector, are provided below. These figures likely overstate investment, due to the number of projects, which have not yet been, or may never be, fully implemented. In fact, the CDC is in the process of cancelling investments, which have never been implemented. In June 2000, CDC cancelled 51 investment projects dating back to 1994, totalling \$219 million, and announced its intention to cancel another 68 projects worth \$299 million. The tables below do not reflect these cancellations. The U.S. Embassy is also unable to reconcile a discrepancy in the CDC figures between the total by country of origin and the total by sector.

Total cumulative registered investment projects, by country of origin, August 1994 to December 31, 1999. (source: CDC)

Country	US\$ millions	pct.
Malaysia	1,881	32.1
Cambodia	1,553	26.5
Taiwan	423	7.2
USA	413	7.0
P.R.China	258	4.4
Singapore	247	4.2
Hong Kong	232	3.9
R.O.Korea	201	3.4
France	193	3.3
Thailand	178	3.0
U.K.	79	1.3
Canada	62	1.1
Indonesia	48	.8
Australia	33	.6
Japan	16	.3
Other	48	.9
Total	5,865	

Total cumulative registered investment capital by sector, from August 1994 to December 31, 1999 (source: CDC).

Sector	US\$ millions	No. of projects
Industry	2,235	736
(of which)		
-- food processing	119	48
-- garment	319	370
-- petroleum	126	19
-- wood processing	472	39
Agriculture	231	62
Services	1,765	90
(of which)		
-- energy	149	10
-- telecom.	131	12
Tourism	1,972	55
Total	6,203	943

New investment projects in US\$ millions, by country of origin, 1995-99 (source: CDC).

Country	1995	1996	1997	1998	1999
Malaysia	1,418	194	66	147	14
Cambodia	417	196	167	248	276
USA	110	5	86	0	20
Taiwan	14	164	44	144	55
Singapore	108	31	15	49	1
P.R.China	6	37	36	107	44
R.O.Korea	1	5	189	6	0
Hong Kong	13	21	72	91	32
France	187	3	1	1	1
Thailand	36	54	27	33	21
U.K.	23	39	6	0	6
Canada	39	3	11	6	2
Indonesia	1	14	1	6	.7
Australia	1	8	22	1	.03
Japan	.5	11	.3	1	2
Other	3	20	15	9	5.3
Total	2,380	803	759	850	480

New investment projects in US\$ millions, by sector, 1995-99 (source: CDC).

Sector	1995	1996	1997	1998	1999
Industry	318	522	503	561	232
(of which)					
- food processing	57	21	0	8	12
- garment	36	47	6	122	80
- petroleum	26	67	32	1	1
- wood processing	5	203	47	164	14
Agriculture	18	94	61	50	6
Services	734	111	205	47	25
(of which)					
- energy	40	3	80	17	218
- telecom	6	33	53	0	8
Tourism	1,572	115	42	167	19
Total	2,641	842	811	833	482

The CDC has registered approximately \$413 million in U.S. Investment since August 1994. Among the largest investors are Beacon Hill Associates with a 60 megawatt independent power production project; Caltex with a chain of service stations and a petroleum holding facility in Sihanoukville; Northbridge associates with an international school; and Shelby corporation with a glove manufacturing facility. There are U.S. investors in several of Cambodia's garment factories, and U.S. firms have also sought concessions for oil and gas exploration in the Gulf of Thailand.

Major non-U.S. foreign investors include Asia Pacific Breweries (Singapore), Raffles International (Singapore), Thakral Cambodia Industries (Singapore), Petronas Cambodia (Malaysia), Chamroeun Pokphand (Thailand), and YTL (Malaysia.)

Statistics on Cambodian investment overseas are not available.

## **Chapter 8**

### **Trade and Project Financing**

#### **1. The Banking System**

Cambodia's banking sector is composed of 2 state-owned banks, 5 joint venture banks, 6 foreign bank branches, 21 private banks, and 20 provincial banks. Despite the large numbers of banks operating, few appear to be engaged in financial inter-mediation, and credit for trade, construction or other purposes is limited. Commercial bank regulation is weak, but improving. The Cambodian government has strengthened its system of bank supervision by creating a banking supervision division within the National Bank of Cambodia (NBC), and by passing financial institutions regulatory laws. A strong money laundering provision is contained in the counter-narcotics law passed the National Assembly in December 1996. NBC withdrew the license of a private bank, which failed to maintain sufficient capital and comply with other regulatory requirements in 1995, and withdrew the license from another in 1996 for failing to maintain adequate reserves. Under the new Financial Institutions Law, all commercial banks were required to re-submit memoranda of association to NBC by the end of May 2000 (all but two banks complied), and NBC will review these and reissue operating licenses to qualifying banks by the end of November. Cambodian Banks will have to have a minimum of US\$ 13 million in capital within two years, or lose their license. Observers of the banking sector anticipate consolidation and shakeout within the industry.

#### **2. Financing availability**

Trade financing is available through most foreign bank branches and joint venture banks, although bank credit to a single client is limited by statute to 20 percent of net worth. Persons choosing a bank are urged to consult any of the standard rating services. Letters of credit may be available through those banks with correspondent banking relationships with banks in the United States. There may be some difficulty obtaining confirmation of letters of credit issued by some Cambodian banks. Eximbank financing is not currently available.

#### **The following banks operate in Cambodia:**

##### **State-Owned Banks:**

Foreign Trade Bank	Tel: (855) 23-723-866	Fax: 23-724-466
Phnom Penh Municipal Bank	Tel: (855) 23-725-663	

##### **Joint-Venture Banks:**

Cambodian Commercial Bank	Tel: (855) 23-725-664	Fax: 23-723-964
Cambodian Public Bank	Tel: (855) 23-723-444	Fax: 23-426-068
Canadia Bank	Tel: (855) 23-215-286	Fax: 23-427-064

#### Foreign Bank Branches:

Bangkok Bank Ltd.	Tel: (855) 23-725-398	Fax: 23-426-593
Banque Indosuez	Tel: (855) 23-724-772	Fax: 23-427-233
Krung Thai Bank Ltd.	Tel: (855) 23-366-005	Fax: 23-428-737
Maybank	Tel: (855) 23-217-590	Fax: 23-217-594
Siam City Bank Ltd.	Tel: (855) 23-427-199	Fax: 23-722-249
Thai Farmers Bank Ltd.	Tel: (855) 23-426-536	Fax: 23-426-548

#### Representative Offices:

Standard Chartered Bank	Tel: (855) 23-212-726	Fax: 23-216-687
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#### Private Banks:

Agriculture & Commercial Bank	Tel: (855) 23-722-272	Fax: 426-683
Bank Of National Wealth	Tel: (855) 23-426-847	Fax: 724-475
Cambodian Development Bank	Tel: (855) 23-426-511	Fax: 426-511
Cambodia Farmers Bank	Tel: (855) 23-426-183	Fax: 426-801
Cambodia International Bank	Tel: (855) 23-725-920	Fax: 725-920
Cambodia Mekong Bank	Tel: (855) 23-426-626	Fax: 426-525
Cambodia Asia Bank	Tel: (855) 23-722-105	Fax: 722-105
Chansavangwonk Bank	Tel: (855) 23-427-464	Fax: 427-464
Emperor International Bank	Tel: (855) 23-722-233	Fax: 427-951
First Overseas Bank Ltd.	Tel: (855) 23-363-888	Fax: 363-888
Global Commercial Bank	Tel: (855) 23-364-258	Fax: 364-258
Great International Bank Ltd.	Tel: (855) 23-427-087	Fax: 427-282
Pacific Commercial Bank	Tel: (855) 23-426-986	Fax: 426-987
Phnom Penh City Bank	Tel: (855) 23-362-885	Fax: 427-353
Royal Cambodia Bank Ltd.	Tel: (855) 23-426-483	Fax: 426-577
Singapore Banking Corp.	Tel: (855) 23-723-388	Fax: 427-277
Singapore Commercial Bank	Tel: (855) 23-427-471	Fax: 427-471
Union Commercial Bank	Tel: (855) 23-427-995	Fax: 427-995
Advanced Bank Of Asia Ltd.	Tel: (855) 23-720-434	Fax: 720-434
Lippo Bank, Phnom Penh Branch	Tel: (855) 23-723-466	Fax: 723-466
Cambodian Agriculture, Industry and Merchant Bank	Tel: (855) 23-366-856	Fax: 366-856

#### Multilateral development banks:

The World Bank has a representative office in Phnom Penh and has provided US\$383 million in loans since 1994 in a variety of sectors, with energy and road rehabilitation and social fund projects constituting the largest shares. The Asian Development Bank (ADB) lent \$384 million as of the end of 1999, also in a variety of sectors, but with emphasis on infrastructure rehabilitation in the energy and power

sectors. The U.S. Government maintains a commercial liaison office at ADB headquarter in Manila, which reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the Bank. Interested U.S. companies should contact Denny Barnes, U.S. liaison to the ADB, fax: (001) 632-890-9713, email: [dbarnes@doc.gov](mailto:dbarnes@doc.gov).

## **Chapter 9**

### **Business Travel**

#### **1. Business Customs**

Although not absolutely required, small gifts with a company logo are appreciated, as are luncheon or dinner invitations.

Travel advisory and visas:

Travel in cities and provincial towns is generally safe, and but business travellers should consult the with U.S. Department of State prior to arrival in Cambodia for a current travel advisory (this information is also available on the web at <http://travel.state.gov>). Once in Cambodia, business travellers should remain alert and take normal personal security precautions. Travellers to remote areas of the country should consult the U.S. Embassy's current consular information sheet. All provincial capitals and some other cities can be reached by air, and private cars are available for rental in most cities upon arrival. The safety of road travel outside urban areas varies and potential risks can be reduced by travelling during daylight hours. Persons planning a lengthy visit to Cambodia should register with the U.S. Embassy Consular Section upon arrival in Cambodia.

Visitor visas valid for one month are issued at Pochentong International Airport. The fee is \$20 for tourists and \$25 for business visas. Travellers should bring with them two passport-sized photos for the visa application, although visas will be issued without them for an additional fee of \$2. For individuals who need to stay longer than the standard one month, a three-month visa will be granted upon application to the Ministry of Interior; the fee for the visa is \$60. Individuals with a business license issued by the Ministry of Commerce may apply for a business visa valid for a year. The fee is \$120.

A taxi from Pochentong airport to virtually any location in Phnom Penh will cost \$7. If contracting with an independent taxi service, visitors should agree on the price with the driver before embarking.

#### **2. Holidays**

Cambodia celebrates 15 national holidays totalling 24 days in duration. These are listed below. (Dates for some religious holidays in 2001 have not yet been published.)

September 24, 2000	Constitution Day
September 27-29, 2000	Pchum Ben Day
October 23, 2000	Anniversary of the Paris Peace Accord
October 30 – November 1, 2000	King's Birthday
November 9, 2000	National Independence Day



November 10-12, 2000	Water Festival (Moon Festival)
December 10, 2000	Human Rights Day
January 1, 2001	International New Year's Day
January 7, 2001	National Liberation Day
March 8, 2001	International Women's Day
April 13-15, 2001	Khmer New Year
May 1, 2001	International Labor Day
June 1, 2001	International Children's Day
June 18, 2001	Queen's Birthday
September 24, 2001	Constitution Day
October 23, 2001	Paris Peace Agreement on Cambodia
October 30-November 1, 2001	King's Birthday
November 9, 2001	National Independence Day
December 10, 2001	Human Rights Day

### **3. Business infrastructure**

There are a number of shipping agents operating in Phnom Penh and Sihanoukville who can handle air freight, sea freight and overland shipping; several are listed on the U.S. companies list issued by the Embassy. Although currently roads to major cities may be in ill-repair, the national highway system is being restored with the assistance of bilateral and multilateral donors. English is widely spoken in business transactions. Chinese, French, Thai and Vietnamese are also widely spoken. Business travellers who speak only English may occasionally need to engage an interpreter, particularly in the provinces.

Telephone, fax and telegram service is available. Telephone service may be unreliable, especially coming into Cambodia, or in remote areas. International telephone charges are relatively expensive compared to other countries in the region. The cost of a call to the United States is approximately \$3.80 per minute, to ASEAN countries \$3.40 and to Laos, Thailand and Vietnam \$3.20.

Hotel accommodations range in price from \$5 per night at guest houses to \$1,000 per night at the royal suite in the hotel inter-continental, but clean modern accommodations are readily available for between \$60 and \$100 per night. Few hotels offer up-to-date business center services at reasonable prices, however. Reservations are recommended but not essential, due to a glut of hotel space in Phnom Penh. To assure the hotel of your choice during November through April high season, travellers may wish to reserve a room.

There are in four private clinics in Phnom Penh whose western-trained doctors offer acceptable medical care, as well as a western-trained dentist. A current list with names, addresses and telephone numbers may be obtained from the U.S. Embassy consular section. There are two pharmacies, which provide a range of authentic U.S. and European products. Medical evacuation insurance (medivac) is advisable, and may be

obtained through:

AEA International SOS Clinic – Phnom Penh  
161 St. 51  
Sangkat Boeung Peng, Khan Doun Penh  
Phnom Penh, Cambodia  
Tel: [855](23) 216-922  
Fax: [855](23)215-811

The fee for medivac insurance is approximately \$100-\$400 per year (monthly policies available).

#### **4. Public utilities**

Electrical power generation may be inadequate although the situation is improving, and many companies have their own generators to assure sufficient electricity. Water supply may also be inadequate, and both solid and liquid waste disposal are not reliable in some areas of the city.

#### **5. The U.S. Embassy**

The U.S. Embassy can provide consular and business advisory services for U.S. travellers in Cambodia. Business travellers wishing to visit the Commercial Section should contact the Section prior to arrival in Cambodia at:

Bruce Levine  
Economic/Commercial Officer  
U.S. Embassy Phnom Penh  
Tel: [855](23)216-436  
Fax:[855](23)216-811  
E-mail: LevineBJ@state.gov

## Chapter 10

### Economic and Trade Statistics

#### Domestic Economy

(Source: Ministry of Economy and Finance)

	1998	1999	2000*
Nominal GDP (US \$ million)	2,868	3,131	3,430
GDP Growth Rate (%)	1.0	4.3	5.5
GDP per Capita	252	268	279
Government Spending (%GDP)	14.35	11.03	17.91
Inflation (CPI quarter, %)	12.6	0.0	5.0
Average Exchange Rate (Riel/US\$)	3,800	3,819	3,800
Gross Foreign Reserves (months of imports)	3.7	3.4	3.5

\* Forecast

#### Trade Statistics

(Source: Ministry of Commerce).

	1998	1999	2000
Total Export (US\$ million)	795	933	n/a
Total Import (US\$ million)	1,127	1,227	n/a
Export to USA (US\$ million)	292	493	n/a
Import from USA (US\$ million)	39	38	n/a

External Assistance disbursement by donors (Source: Council for the Development of Cambodia. All figures are in US\$ million unless indicated otherwise)

	1998	1999	1992-1999	2000
Total disbursement	433	401	3,173	445
of which				
Multi-lateral agencies	165	154	1,037	191
-- IBRD/World Bank	29	35	202	51
-- IMF	0	11	84	11
-- ADB	36	27	261	28
Bilateral donors				
-- Japan	71	89	699	86
-- United States	30	23	259	24
-- France	23	16	245	29
-- Sweden	13	11	122	13
-- U.K.	10	9	56	8
-- Germany	9	12	54	8
NGOs	56	55	242	55

1999 USG Assistance to Cambodia (Source: USAID in Phnom Penh)

Recipient Program	US\$ 1000s
Fiscal year 1999 total	20,999
of which	
Democracy/Human rights programs	5,000
Maternal and Child Health Programs	5,099
Assistance to War and Mine Victims	3,000
HIV/AIDS Programs	2,500
Micro-credit Programs	100
Demining Programs	4,700
Disaster Programs	600

## **Chapter 11**

### **U.S. and Cambodian Contacts**

#### **Royal Government of Cambodia**

Council for the Development of Cambodia (CDC)  
Wat Phnom District  
Phnom Penh, Cambodia  
Contacts: H.E. Mr. Sok Chenda Sophea, Secretary General  
Tel: (885-23) 428-954  
Fax: (855-23) 360-606

Ministry of Commerce  
No. 22, Preah Norodom Blvd.  
Phnom Penh, Cambodia  
Contacts: H.E. Mr. Cham Prasidh, Minister  
Sok Siphana, Secretary of State  
H.E. Mr. Khek Ravy, Secretary of State  
Tel: (855-23) 366-873  
Fax: (855-23) 426-396

Ministry of Industry, Energy and Mines  
No. 45, Preah Norodom Blvd.  
Phnom Penh, Cambodia  
Contacts: H.E. Suy Sem, Minister  
H.E. Ith Prang, Secretary Of State  
H.E. Nheb Bounchhin, Secretary Of State  
Tel: (855-23) 723-077  
Fax: (855-23) 428-263/362-989

Ministry of Public Works and Transport  
Preah Norodom Blvd  
Phnom Penh, Cambodia  
Contacts: H.E. Khy Taing Lim, Minister  
H.E. Ahmad Yahya, Secretary of State  
H.E. Tram Iv Tek, Secretary of State  
Tel: (855-23) 722-615  
Fax: (855-23) 827-700

Ministry of Agriculture, Forestry and Fisheries  
200 Preah Norodom Blvd  
Phnom Penh, Cambodia  
Contacts: H.E. Chhea Song, Minister  
H.E. Chan Tong-Iv, Secretary of State  
H.E. May Sam Oeun, Secretary of State

Tel: (855-23) 362-395/362-893  
Fax: (855-23) 217-320

Ministry of Tourism  
No. 3, Preah Monivong Blvd.  
Phnom Penh, Cambodia  
Contacts: H.E. Veng Sereivuth, Minister  
H.E. Thong Khon, Secretary of State  
H.E. Nuth Nin Doeun, Secretary of State  
Tel: (855-23) 426-877  
Fax: (855-23) 427-130  
Email: [Tourism@Camnet.Com.Kh](mailto:Tourism@Camnet.Com.Kh)

Ministry of Economy and Finance  
60 Street 92  
Phnom Penh, Cambodia  
Contacts: H.E. Keat Chhon, Minister  
H.E. Kong Vibol, Secretary of State  
H.E. Ouk Rabun, Secretary of State  
Tel: (855-23) 427-320/428-634  
Fax: (855-23) 427-798

Cambodian Embassy in the USA  
4500 16th St. NW  
Washington DC, 20011  
Tel: (202) 726 7742  
Fax: (202) 726 8381  
Contact: H.E. Mr. Roland Eng, Ambassador

The National Bank of Cambodia (NBC)  
No 22-24, Preah Norodom Blvd  
Phnom Penh, Cambodia  
Contacts: H.E. Chea Chanto, Governor  
Ms. Sun Siphil, Deputy Governor  
Mr. Phan Ho, Director of Bank Supervision  
Tel: (855-23) 722-221/275-063/724-866  
Fax: (855-23) 426-117

**U.S. Government Contacts:**

United States Commercial Service  
(Washington, DC)  
Trade Information Center  
Tel: (800) USA-TRADE  
Fax: (202) 482-4473  
(U.S. Embassy Bangkok)

Diethelm Tower A, 304  
93/1 Wireless Rd.  
Bangkok 10330, Thailand  
Commercial Counselor: Karen Ware  
Tel: [66](2)205-5090  
Fax: [66](2)255-2915  
E-Mail: Karen.Ware@Mail.Doc.Gov

United States Embassy Phnom Penh  
(Cambodian Mailing Address)  
27 St. 240  
Phnom Penh, Cambodia  
(U.S. Mailing Address)  
Box P  
Apo Ap 96546  
Ambassador: Kent M. Wiedemann  
Economic/Commercial Officer: Bruce Levine  
Tel: [855](23)216-436  
Fax: [855](23)216-811  
E-Mail: Levinebj@State.Gov

Export-Import Bank Of The United States (Eximbank)  
811 Vermont Ave. NW  
Washington, DC 20571  
Tel: 202-565-3510  
Fax: 202-565-3380  
Website: Www.Exim.Gov.

Overseas Private Investment Corporation (OPIC)  
Mr. Bruce Cameron, Business Development Officer  
1100 New York Avenue NW  
Washington, DC 20527, USA  
Tel: (202) 336-8745  
Fax: (202) 408-5154  
E-Mail: Bcame@opic.gov .

**Multilateral Contacts:**

Asian Development Bank (ADB)  
Box 789  
0890 Manila, Philippines  
U.S. Executive Director: Amb. Linda Tsao Yang  
Tel: [63](2)632-6050  
Fax: [63](2)632-4003  
U.S. Commercial Liaison: Mr. Denny Barnes  
Tel: [63](2)890-9364



Fax: [63](2)890-9713  
E-Mail: Dbarnes@cs.doc.gov

International Finance Corp. (IFC)  
1850 I (Eye) St. NW  
Room I-11-063  
Washington, DC 20433, USA  
Cambodia Investment Officer: Mr. Morgan Landy  
Tel: 202-473-9350  
Fax: 202-676-0820

Multilateral Investment Guarantee Agency (MIGA)  
1818 H St. NW  
Washington, DC 20433  
Tel: 202-477-1234  
Fax: 202-522-2630

**Market Research and Investment Advice**  
(listed alphabetically)

Dirksen, Flipse, Doran & Le (Legal Advisors)  
Tel: (855-23) 428-726  
Fax: (855-23) 428-227  
Contact: Mr. David Doran

Ernst & Young  
Tel: (855-23) 211-431/360-837  
Fax: (855-23) 360-437  
Contact: Mr. Senaka Fernando

International Management & Investment Consultants (IMIC)  
Tel: (855-23) 362-753/362-392  
Fax: (855-23) 721-756  
Contact: Mr. Craig Martin, Director

Price Waterhouse Coopers  
Tel: (855-23) 218-086  
Fax: (855-23) 428-076  
Contact: Mrs. Sally Relph

Tilleke, Gibbins, And Associates, Ltd. (Legal Advisors)  
Tel: (855-23) 362-670  
Fax: (855-23) 362-671  
Contact: Mr. Bretton Sciaroni

## **Chapter 12**

### **Market Research Available from U.S. Embassy**

Since June 1999, the U.S. Embassy in Phnom Penh has done the following ISA and IMI reports, which are available from the Embassy or the National Trade Data Bank.

- IMI: Opportunities for Investment in Solar Energy, September 1999.
- IMI: Cambodia Telecom Ministry plans changes, September 1999.
- ISA: Power Sector, April 2000.
- ISA: Tourism Sector, April 2000.
- IMI: Opportunities for Build-Operate-Transfer Projects, May 2000.
- IMI: Pharmaceutical and Medical Equipment Importers in Cambodia, June 2000.
- IMI: Opportunities for Telecommunication Projects, June 2000.

Interested readers should periodically check the National Trade Data Bank for new reports. Up to date versions of this Country Commercial Guide can be accessed via the World Wide Web at [www.stat-usa.gov](http://www.stat-usa.gov), [www.state.gov](http://www.state.gov), and [www.mac.doc.gov](http://www.mac.doc.gov), or through the National Trade Data Bank. Other Embassy publications are available at the Embassy's web site at [www.usembassy.state.gov](http://www.usembassy.state.gov).

The Embassy can also assist U.S. businesses in locating qualified local consultants to perform market research on a contract basis.

## Chapter 13

### Trade Event Schedule

Following is a list of trade exhibitions scheduled for the second half of the year 2000. These events are organized by a local promoter, Asia Pacific Resources, without U.S. Embassy sponsorship:

August 3-6, 2000	Food and Beverage Expo.
August 3-6, 2000	Retail Cambodia
September 14-16, 2000	Industry, Machine and Equipment (IMAX)
September 14-16, 2000	Construction and Building Materials (CAMBEX)
September 14-16, 2000	Garment and Textile (GARTEX)
November 23-26, 2000	Asean Trade Expo

U.S. companies interested in obtaining additional information about the events should contact:

Asia Pacific Resources Inc.  
Hong Kong Center, 3 floor  
108-112 Sothea's boulevard  
Phnom Penh, Cambodia  
Tel: (855-23) 215-721  
Fax: (855-23) 215-821  
email: [apri@bigpond.com.kh](mailto:apri@bigpond.com.kh)

Readers should also contact the U.S.-Asean Business Council for information on possible additional events, at:

Ms. Frances Zwenig  
Senior Country Director  
U.S. Asean Business Council  
1400 L St. NW  
Suite 375  
Washington, DC 20005-3509  
Tel: (202) 289-1911  
Fax: (202) 289-0519  
Website: [www.usasean.org](http://www.usasean.org)